

Message Text

CONFIDENTIAL

PAGE 01 STATE 121834

14

ORIGIN NEA-12

INFO OCT-01 ADP-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 L-03 SS-15 NSC-10 IO-13 IGA-02

PA-03 USIA-12 PRS-01 /145 R

DRAFTED BY NEA/ PAB: LBLESSER: MRC

6/21/73 EXT 21453

APPROVED BY NEA: JJSISCO

NEA/ PAB: PDCONSTABLE

AID/ AA/ ASIA: DMACDONALD

EB/ IFD: MCASSE (INFO)

AID/ ASIA/ NE: BLANGMAID (INFO)

----- 020951

R 212305 Z JUN 73

FM SECSTATE WASHDC

TO AMEMBASSY ISLAMABAD

INFO AMEMBASSY DACCA

C O N F I D E N T I A L STATE 121834

E. O. 11652 GDS

TAGS: EAID, EFIN, BG, PK

SUBJECT: PAKISTAN/ BANGLADESH DEBT

REF: A. OECD PARIS 16637

B. OECD PARIS 16641

C. STATE 120941

1. PAKISTAN AMBASSADOR SULTAN KHAN MET WITH ASST. SECY. SISCO ON JUNE 19 AT KHAN' S REQUEST TO DISCUSS DEBT QUESTION. AID ASST. ADMINISTRATOR MACDONALD ALSO PARTICIPATED IN MEETING. THIS MEETING WAS HELD AFTER ANOTHER ONE SAME DAY BETWEEN MACDONALD AND QAMARUL ISLAM ON SAME SUBJECT (REPORTED REF C).

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 121834

2. AMB. KHAN ASKED FOR RUNDOWN ON USG POSITION RE DEBT. SISCO AND MACDONALD SUMMARIZED CONSTORTIUM POSITION, WHICH HAD ALREADY BEEN TRANSMITTED TO GOP (QAMARUL ISLAM) THROUGH IBRD (CARGILL) PREVIOUS DAY STRESSING THAT UNANIMOUS, TWIN

OBJECTIVES WERE TO AVOID DEFAULT AND TO CONTINUE AID FLOWS. KHAN RAISED OBJECTIONS ON SEVERAL GROUNDS AS FOLLOWS:

A) ALTHOUGH GOP IS ASKED TO ACT IN TIME TO AVOID DEFAULT JULY 1, THERE STILL HAS BEEN NO FORMAL WRITTEN PROPOSAL FROM CONSORTIUM. MACDONALD REPLIED THAT IBRD EXPECTED TO PREPARE FORMAL MINUTE ASAP AND EXPRESSED HOPE GOP WOULD ACCEPT IT PRIOR JULY 1 TO AVOID TECHNICAL DEFAULT. IF THAT TIME- FRAME NOT POSSIBLE, HE SAID USDEL HAD ASCERTAINED AT LAST WEEK' S PARIS MEETING THAT NO CONSORTIUM MEMBERS WOULD BE COMPELLED BY LAW TO IMPOSE SANCTIONS IMMEDIATELY COME JULY 1 BUT HE URGED AGAIN THAT DEADLINE BE MET.

B) GOP IS STUCK WITH LEGAL LIABILITY FOR DEBT " MORE OR LESS IN PERPETUITY". MACDONALD AGREED THAT WOULD BE THE CASE IF LIABILITY WERE NOT LATER ASSUMED BY ANOTHER PARTY AND ADDED THAT OUR PROPOSAL SHIFTS PRESSURE TO THE BDG TO ASSUME LIABILITY, FIRST FOR PROJECTS.

C) KHAN CONTINUED THAT CONSORTIUM PROPOSAL IN GOP VIEW EFFECTIVELY RELIEVES PRESSURE ON BDG TO MAKE OVERALL SETTLEMENT, SINCE BDG WILL CONSIDER ITSELF ABSOLVED OF ANY LIABILITY FOR NON- PROJECT LOANS AND HAS NO LEGAL OBLIGATION TO ASSUME PROJECT LIABILITIES. SISCO REPLIED THAT BDG CANNOT AFFORD TO IGNORE WEIGHT OF CONSORTIUM PRESSURE SINCE BANGLADESH EXPECTS TO NEED ASSISTANCE FROM THESE COUNTRIES IN THE FUTURE. MACDONALD ADDED THAT OUR PROPOSAL DOES NOT FORECLOSE ANY PARTICULAR FINAL SETTLEMENT THAT MIGHT BE WORKED OUT BY THE PARTIES BUT GETS THE PROCESS OF DIVISION STARTED AND OFFERS ASSURANCE NOW THAT ONE YEAR HENCE GOP WILL NO LONGER BE ASKED TO SERVICE FORMER EAST PAKISTAN PROJECT DEBTS. KHAN ACKNOWLEDGED THESE FEATURES OF PROPOSAL AND THAT THERE WAS NO PERFECT SOLUTION TO THIS COMPLEX PROBLEM.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 121834

3. DISCUSSION MOVED TO OTHER TOPICS INCLUDING CENTO MEETING (SEPTTEL) WITHOUT CONCLUSIVE GOP EXPRESSION OF POSITION PRO OR CON CONSORTIUM INITIATIVE. AMB. KHAN MADE REFERENCE TO DECISION- MAKING MACHINERY IN ISLAMABAD AND IT THUS APPEARS LIKELY GOP WILL DISCUSS MATTER FURTHER AFTER Q. ISLAM' S RETURN BEFORE MAKING

FORMAL RESPONSE. ROGERS

CONFIDENTIAL

NNNNMAFVVZCZ

*** Current Handling Restrictions *** n/a

*** Current Classification *** CONFIDENTIAL

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 21 JUN 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: collinp0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE121834
Document Source: CORE
Document Unique ID: 00
Drafter: LBLESSER: MRC
Enclosure: n/a
Executive Order: RR
Errors: n/a
Film Number: n/a
From: SECSTATE WASHDC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730625/aaaajiffh.tel
Line Count: 121
Locator: TEXT ON-LINE
Office: ORIGIN NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: collinp0
Review Comment: n/a
Review Content Flags:
Review Date: 17 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17-Dec-2001 by shawdg>; APPROVED <25 FEB 2002 by collinp0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> wfs 980217
Subject: PAKISTAN/ BANGLADESH DEBT
TAGS: EAID, EFIN, BG, PK
To: DACCA
ISLAMABAD
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005